

Message Text

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AMEMBASSY MOGADISCIO

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COMNAVTELCOM WASHDC

USCINCEUR VAIHINGEN

COMIDEASTFOR

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CNO WASHDC

C O N F I D E N T I A L ASMARA 0669

E.O. 11652: GDS

TAGS: PINS ECON ET

SUBJECT: ECONOMIC IMPACT OF EPMG SECURITY RESTRICTIONS ON ASMARA

REF: ASMARA 639

1. SUMMARY: WHILE CONGEN PLANS TO SUBMIT MORE COMPREHENSIVE ANALYSIS OF ECONOMIC AND COMMERCIAL IMPACT OF FRONT (ELF/PLF) INSURGENCY AND EPMG COUNTERMEASURES IN ERITREA IN NEAR FUTURE, WE BELIEVE A BRIEF REVIEW OF PRESENT ECONOMIC SITUATION IN ASMARA WILL ADD DIMENSION TO CURRENT RATHER GLOOMY PICTURE. EPMG TRAVEL RESTRICTIONS IMPOSED ON JULY 23 HAVE DISRUPTED COMMERCIAL TRAFFIC AND SERIOUSLY REDUCED INDUSTRIAL
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ACTIVITY. AS CERTAIN BASIC COMMODITIES BECOME SCARCE OR

NON-EXISTENT, PRICES RISE AND DIET BECOMES MORE LIMITED. DESPITE THESE HARDSHIPS AND UNCERTAINTIES, WHICH HAVE PROMPTED MANY OFFICIALS AND RESIDENTS TO FORECAST IMPENDING DOOM, WE BELIEVE THAT ASMARA CAN SUSTAIN THIS SITUATION FOR SOME TIME BEFORE IT PROVOKES VISIBLE ADVERSE REACTION FROM COWED RESIDENTS. END SUMMARY.

2. CONGEN IS NOW COMPILING INFORMATION AND CONDUCTING RESEARCH ON BASIS OF WHICH WE WILL PREPARE COMPREHENSIVE ANALYSIS OF ECONOMIC AND COMMERCIAL IMPACT OF FRONT INSURGENCY AND EPMG COUNTERMEASURES ON ERITREA. WE WILL ALSO TRY TO INCLUDE INFORMATION ON DROUGHT RELIEF AND EFFECTS OF NATIONALIZATION. ALL ECONOMIC REPORTING FROM ASMARA AT THIS TIME IS HAMPERED BY SCARCITY OF STATISTICS RESULTING FROM CENTRALIZATION POLICIES, BALKINESS AND FEAR OF PUBLIC OFFICIALS, IN MANY CASES NEW TO THEIR POSITIONS, AND OTHERS WHO ARE UNCERTAIN ABOUT PROPRIETY OF ASSISTING USG GIVEN "SOCIALIST" AND ANTI-IMPERIALIST TILT OF PMAC. DESPITE PAUCITY OF HARD STATISTICS, CONGEN BELIEVES THERE IS VALUE IN BRIEF REVIEW OF CURRENT ECONOMIC SITUATION IN ASMARA TO SOUND OUT SOMEWHAT GLOOMY PICTURE OF PRESENT SITUATION.

3. ON JULY 23, EPMG MILITARY AUTHORITIES ANNOUNCED CESSATION OF ALL PRIVATE TRAVEL OUT OF ASMARA. THIS ANNOUNCEMENT WAS FOLLOWED BY CESSATION OF ALL COMMERCIAL ROAD TRAVEL FROM ASMARA. PETROLEUM TRANSPORTS IN ESCORTED CONVOYS FROM MASSAWA ARE ONLY COMMERCIAL TRAFFIC ARRIVING IN ASMARA BY ROAD. MASSAWA-ASMARA RAILROAD IS OPERATING ON REDUCED SCHEDULE CARRYING BULK FREIGHT OF RAW MATERIALS TO ASMARA AND SOME FOOD TO MASSAWA AND FINISHED PRODUCTS FOR EXPORT. THESE RESTRICTIONS HAVE CAUSED SEVERE DISRUPTIONS TO TRADITIONAL COMMERCIAL PATTERNS, AS WELL AS TO INDUSTRIAL SECTOR OF LOCAL ECONOMY.

4. WHILE STATISTICS ARE NOT AVAILABLE AT PRESENT, IT IS EVIDENT THAT INDUSTRIAL PRODUCTION HAS BEEN SIGNIFICANTLY REDUCED. RAW MATERIALS ARE DELAYED IN ARRIVING AND DIMINISHED IN QUANTITY, INVENTORIES HAVE WAREHOUSES BURSTING, AND TRADITIONAL DOMESTIC MARKETS ARE UNAVAILABLE AS RESULT OF TRAVEL RESTRICTIONS. AS ALL LARGE FIRMS ARE NOW NATIONALIZED, DECISIONS ON LAYOFFS OR SHUTDOWNS ARE NOT MADE ON ECONOMIC BASIS, BUT RATHER ON BASIS OF POLITICAL CONSIDERATIONS. WITH EXCEPTION OF BAKERIES (WHICH HAVE NO WHEAT FLOUR) ALL INDUSTRIES CONTINUE TO FUNCTION AT
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MARGINAL LEVELS OF PRODUCTION RATHER THAN SHUTTING DOWN, WHICH WOULD RELEASE THOUSANDS OF ADDITIONAL UNEMPLOYED TO SWELL RANKS OF DISCONTENTED. FOR EXAMPLE, BARATTOLO, LARGE, VERY MODERN TEXTILE PLANT IN ASMARA, IS NOW ONLY PRODUCING CRUDEST FORM OF CLOTH FOR LOCAL MARKET EXCLUSIVELY, AS MARKETS FOR OTHER CLOTH HAVE BEEN SHUT OFF.

5. DISRUPTION OF COMMERCIAL PATTERNS TO AND FROM ASMARA HAVE

HAD GREATEST IMPACT ON FOOD SUPPLIES AND OTHER ESSENTIALS IN ASMARA. MANY BASIC COMMODITIES ARE EITHER VERY SCARCE OR NOT AVAILABLE AT ALL. IN LATTER CATEGORY ARE WHEAT FLOUR, SUGAR, FISH AND "NATIVE BUTTER." SCARCE ITEMS INCLUDE MEAT, MILK, FRUITS AND VEGETABLES, AND EGGS. SUCH SCARCITIES HAVE CAUSED SPURT OF INFLATION WHICH IS FURTHER HARDSHIP IN CITY WITH HIGH UNEMPLOYMENT AND ECONOMIC STAGNATION. EXAMPLES OF SUCH PRICE INCREASES IN COMMODITIES WHICH DIRECTLY AFFECT BASIC LOCAL DIET ARE: WHITE MILLET UP 51 PER CENT; RED MILLET UP 64 PER CENT; CHICKPEAS UP 33 PER CENT; OILSEED UP 38 PER CENT; POTATOES UP 180 PER CENT; CARROTS UP 100 PER CENT; BEEF CATTLE UP 137 PER CENT PER HEAD; SHEEP UP 143 PER CENT PER HEAD; AND EGGS UP 200 PER CENT. DESPITE THESE INCREASES AND STRINGENT PRICE CONTROLS, THERE IS STILL NO SIGNIFICANT BLACK MARKET ACTIVITY. IN ADDITION TO FOOD, OTHER BASIC COMMODITIES ARE ALSO SCARCE, SUCH AS FIREWOOD (FOR COOKING) AND BOTTLED GAS. MOGAS IS REPORTED TO BE IN GOOD SUPPLY, BUT EPMG HAS RATIONED IT TO MERE 3 LITERS PER DAY, REPORTEDLY TO DENY MOBILITY TO FRONT.

6. CIVILIAN GOVERNMENT OFFICIALS IN ASMARA HAVE EXPRESSED GRAVE CONCERN AT THESE SHORTAGES AND ATTENDANT HIGH PRICES. ONE KNOWLEDGEABLE OFFICIAL SAYS THERE IS ONLY 10 DAYS' SUPPLY OF CEREAL GRAINS IN ASMARA. CIVILIAN OFFICIALS AND RESIDENTS SEEM TO AGREE THAT CURRENT RESTRICTIONS CANNOT REMAIN IN FORCE MUCH LONGER WITHOUT RISK OF SERIOUS CIVIL UNREST. MILITARY LEADERS HAVE NOT BEEN RESPONSIVE TO PROBLEM THUS FAR, AND HAVE GIVEN NO INDICATION WHEN RESTRICTIONS MAY BE EASED OR LIFTED.

7. COMMENT: CONGEN IS MORE SANGUINE ABOUT IMMEDIATE SITUATION THAN IS LOCAL OPINION. REALIZING THAT ERITREA'S MILITARY RULERS INITIATE AND SUSTAIN RESTRICTIONS WITH TACTICAL FACTORS FOREMOST IN MIND, WE BELIEVE THAT THEY WILL EASE SITUATION ONCE LOCAL UNREST BECOMES IMMINENT. WHILE TENSE LEADERS MAY PRESIDE
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BENIGNLY OVER BRUTALITIES COMMITTED BY THEIR SUBORDINATES, THEY ARE UNLIKELY TO ALLOW LOCAL SITUATION TO DETERIORATE TO POINT WHICH WOULD JEOPARDIZE THEIR CONTROL OVER EVENTS. METHODS AND SEQUENCE BY WHICH MILITARY RELAX GRIP OVER ECONOMIC SITUATION SHOULD GIVE CLEARER INDICATION OF THEIR FUTURE INTENTIONS IN ADMINISTRATION OF ERITREA.
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